

Audit Review# :
4483

Reviewed by
C. Lewis

Sonoma County Community Development Commission

Basic Financial Statements

Year Ended June 30, 2008

Date Closed
2/29/09

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Independent Auditors' Report

Board of Commissioners
Sonoma County Community
Development Commission
Santa Rosa, California

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Sonoma County Community Development Commission (the "Commission"), a component unit of the County of Sonoma, as of and for the year ended June 30, 2008, which collectively comprise the Commission's financial statements as listed in the table of contents. These financial statements are the responsibility of the Sonoma County Community Development Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Sonoma County Community Development Commission as of June 30, 2008, and the respective changes in financial position and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2008, on our consideration of Sonoma County Community Development Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis ("MD&A") and the budgetary comparison information are not a required part of the financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sonoma County Community Development Commission's financial statements. The schedules of combined and individual non-major fund financial information, listed in the table of contents as supplementary information, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the U.S. Department of Housing and Urban Development, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

William E. Rowe, CPA

November 24, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2008

The Sonoma County Community Development Commission (the "Commission") provides housing assistance to low income families and individuals, funds community development projects and activities, and administers the Sonoma County Community Redevelopment Agency (the "Redevelopment Agency"). The Commission's largest funding source is the U.S. Department of Housing and Urban Development ("HUD").

The basic financial statements are being issued in the format prescribed by the provisions of Government Accounting Standards Board Statement No. 34 (GASB 34). The following section presents management's discussion and analysis ("MD&A"). Please read this overview in conjunction with the Basic Financial Statements.

Financial Highlights

The following financial highlights are provided in an effort to describe, in terms of dollar amounts, the resources and operations of the Sonoma County Community Development Commission.

- The activities of the Commission fall into three main groups: federal programs, redevelopment funds and all other projects. The Commission's revenues are primarily derived from federally supported activities and Redevelopment Agency activities. Revenue from federal sources accounted for 67% and Redevelopment Agency tax derived revenues amounted to 16% of current fiscal year revenues.
- HUD supported expenditures in the prior fiscal year amounted to \$25,651,961. In the current fiscal year this amount increased by \$2,892,086 to \$28,544,047.
- Fund revenues for the Redevelopment Agency amounted to \$9,946,448 in the current fiscal year, an increase of \$2,958,404 over the prior year's \$6,988,044. The Redevelopment Agency expended \$6,971,025 in the current year, as compared to \$7,716,644 expended during the prior year.
- The amount of total assets was \$68,825,368. The fiscal year ended with liabilities totaling \$4,267,305 which is only 6.2% of total assets.
- The total net assets of the Commission have increased by approximately \$12.9 million from the June 30, 2007 balance of \$51,622,959 to the June 30, 2008 balance of \$64,558,063.

- The ending Net Assets was represented by the Commission's three main subdivisions as follows:

Redevelopment	\$ 24,855,297	39%
Federal programs	25,443,575	39%
Other projects	14,259,191	22%
	<u>\$ 64,558,063</u>	

- Both total revenues and total expenses experienced a year-to-year increase. The rate of increase for revenues was much greater than the rate of increase for expenditures.

	Revenues	Expenses
Fiscal year 2007-08	\$45,065,745	32,130,641
Fiscal year 2006-07	35,921,213	31,531,866
Amount of Increase	9,144,532	598,775
Percent of Increase	25%	2%

Overview of the Financial Statements

This annual Financial Report is presented in six parts:

1. Independent Auditors' Report
2. Management's Discussion and Analysis
3. The Basic Financial Statements – The government-wide financial statements, fund financial statements, and the notes to these financial statements
4. Required Supplementary Information – Budget to actual schedules for major funds and the notes to these schedules
5. Supplementary Information – Detailed schedules of non-major funds financial position and activities and Schedule of Expenditures of Federal Awards
6. Compliance Reports – Auditors' reports on internal control over financial reporting in accordance with Government Auditing Standards and compliance requirements in accordance with OMB Circular A-133 and Schedule of Findings and Questioned Costs

The Basic Financial Statements

The Basic Financial Statements are comprised of the government-wide financial statements and the fund financial statements. These two sets of financial statements provide two different views of the Commission's financial position and activities.

The **government-wide financial statements** provide a longer-term view of the Commission's activities as a whole, and are comprised of the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information about the financial position of the Commission as a whole on the full accrual basis, similar to that used in the private sector. The Statement of Activities provides information about the Commission's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues and expenses of each of the Commission's programs. The Statement of Activities explains the change in net assets for the year.

The **fund financial statements** report the Commission's operations in more detail than the government-wide statements and focus primarily on the short-term activities of the Commission's General Fund and other major funds. The fund financial statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt, and other long-term amounts. The balance sheet and the statement of revenues, expenditures and changes in fund balances are presented in a format that emphasize the major funds. Major funds account for the major financial activities of the Commission and are presented individually. Non-major funds are summarized and reported collectively. The major funds are explained in the *Fund Financial Statements* section of this MD&A.

Year Ended June 30, 2008

The Basic Financial Statements (continued)*The Government-Wide Financial Statements*

The Statement of Net Assets and the Statement of Activities are the government-wide financial statements.

The *statement of net assets* presents information on all of the Commission's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The *statement of activities* presents information showing how the Commission's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as revenues pertaining to interest earned on loans made by the Commission and expenses pertaining to depreciation of equipment.

The Commission's total net assets from governmental activities increased during the current fiscal year in the amount of \$12,935,104. The year-to-year change in total net assets is a result of the net change of revenues and expenses during the year. The following table represents a comparative analysis of the net assets of the governmental activities for the years ended June 30, 2008 and 2007.

Governmental activities	Years Ended June 30,	
	2008	2007
Current assets	\$ 33,347,859	\$ 27,603,875
Non-current assets	35,477,509	29,364,860
Total assets	68,825,368	56,968,735
Current liabilities	1,429,975	2,309,858
Non-current liabilities	2,837,330	3,035,918
Total liabilities	4,267,305	5,345,776
Net assets:		
Invested in capital assets, net of related debt	103,129	106,337
Restricted	50,298,872	40,638,736
Unrestricted	14,156,062	10,877,886
Total net assets	\$ 64,558,063	\$ 51,622,959

Various Commission activities contributed to the total increase to net assets. Redevelopment Agency revenues exceeded expenses by \$4,825,624. Most of this increase represents the accumulation of tax revenues that will be used for redevelopment projects in future years. The largest single redevelopment project, which will commence during 2008-09, is the proposed Highway 12 improvement project in the Springs project area.

Year Ended June 30, 2008

The Basic Financial Statements (continued)*The Government-Wide Financial Statements* (continued)

The Commission administers the Sonoma County Housing Authority. The Housing Authority's largest program, the Voucher Program, received revenues that exceeded expenditures by \$1,948,657 during FY 2007-08. The Commission operates the County Fund for Housing fund (CFH). Both state and local funds provide revenues for this fund. This fund's revenues exceeded expenditures by \$3,602,172 during the report year.

The increase to net assets in the HOME, CDBG and other Community Development programs is a consequence of making loans to first-time home buyers, nonprofit agencies and individual low-income homeowners. When loans are made, notes receivable increase, and in the case of the government wide presentation of the Commission's financial statements, revenues also increase. Therefore, the increase in loan activity in the current fiscal year increased both assets and revenues.

Analysis of Net Assets – As previously indicated, net assets increased by \$12,935,104 between June 30, 2007 and June 30, 2008. This change is a result of the following programs which had revenues in excess of expenses.

Redevelopment	\$4,825,624
Affordable Housing	3,602,172
HOME Program	1,080,925
Community Development Block Grant	1,335,586
Rental Assistance	1,948,657
Results of all other activities	142,140
<hr/>	
Total change in net assets	\$ 12,935,104

The following table indicates the comparative changes in net assets for the governmental activities for fiscal years ended June 30, 2008 and 2007.

Management's Discussion and Analysis

Year Ended June 30, 2008

Governmental Activities	Years Ended June 30,	
	2008	2007
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 37,262,791	\$ 29,796,240
Charges for services	53,010	9,603
General revenues:		
Taxes	7,581,035	5,916,908
Interest	168,909	198,462
Total revenues	45,065,745	35,921,213
Expenses:		
Rental Assistance	21,854,529	20,863,739
Community Development	2,343,560	1,238,113
Redevelopment	2,347,579	4,090,665
Administration	5,409,561	5,152,481
Interest on debt	175,412	186,868
Total expenses	32,130,641	31,531,866
Increase in net assets	12,935,104	4,389,347
Net assets, beginning	51,622,959	47,233,612
Net assets, ending	\$ 64,558,063	\$ 51,622,959

As indicated above, total revenues for the year as shown on the Statement of Activities were \$45,065,745. The major funding sources were as follows:

Program Revenues:

U.S. Department of Housing and Urban Development	\$ 30,689,196
State, County and City Governmental agencies	5,231,643
Redevelopment Agency non-tax revenues	874,226
All other funding sources	520,736
	<u>\$ 37,315,801</u>

General Revenues:

Redevelopment Agency related tax increment revenues	\$ 7,581,035
Interest earned on non-program funds	168,909
	<u>\$ 7,749,944</u>

The Basic Financial Statements (continued)***Fund Financial Statements***

The fund financial statements are designed to report information which is used to provide detailed information about each of the Commission's most significant funds, called major funds. The concept of major funds, and the determination of which funds are major funds, was established by GASB 34. Each major fund is presented individually, with any non-major funds summarized and presented in a single column. Major funds may change from year-to-year as a result of changes in the pattern of the Commission's activities.

Governmental fund financial statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and long-term liabilities are not presented in governmental fund financial statements.

Major Fund Financial Analysis

The Commission had five major funds during fiscal year 07-08. Descriptions of those funds are as follows.

General Fund: The General Fund accounts for all activities that are not reported in other major funds or non-major funds.

Community Development (CDGB): The funding source for this fund is the Community Development Block Grant (CDBG) program from the U.S. Department of Housing and Urban Development (HUD). A wide variety of community development activities are financially supported using approximately \$2.5 million of HUD funds annually. The CDBG fund expended \$1,978,448 during the prior year and \$3,264,517 during the current fiscal year which is an increase of \$1,286,069. Most of the ongoing CDBG projects experienced typical expenditure levels. The projects that expended larger amounts during 2007-08 included \$100,000 expended on Fulton Area Sidewalks, \$300,000 expended on Sequoia Village, \$145,198 expended on Mooreland Avenue sewers, \$300,000 expended on Petaluma Avenue Homes and \$102,528 expended on building repairs at Sea Ranch.

HOME Program: HUD also makes HOME funds available to the Commission. These funds are targeted towards the creation of affordable housing for low-income households. The development of low-income rental housing is often done in partnership with local nonprofit agencies. HOME funds can also be used to provide direct rental assistance to low-income persons. The Commission receives approximately \$1.1 million of HOME funds on average each fiscal year. HOME fund expenditures amounted to \$653,827 in the prior year and \$1,389,227 in the current year, which is an increase of \$735,400.

Section 8 Housing Choice Vouchers: This fund subsidizes monthly rents for low-income persons. In terms of funds spent and persons directly assisted, this fund continues to be the Commission's largest fund. HUD provides 100% of this fund's resources and HUD regulations direct the fund's activities. An increase in funding is reflected in an increase of \$1,948,657 in fund balance from the prior year end to the current fiscal year end. During the current year, housing assistance payments (HAP) increased by 4.3%. HAP expense amounted to \$19,802,458 during 2006-07 and \$20,661,055 during 2007-08.

Year Ended June 30, 2008

Springs Housing Fund: The State of California Health and Safety Code regulate the activities of this and all other Redevelopment Agency funds. Property taxes, collected by the County of Sonoma, provided the resources for the Sonoma County Community Redevelopment Agency. This particular fund supports housing-related redevelopment projects in the Springs project area which is located in the Sonoma Valley portion of the County. Project funds are typically disbursed in the form of a loan to low-income persons or to agencies that serve this population. As of June 30, 2008 the outstanding loan principal amounted to \$4,071,741.

Budgetary Highlights

Commission Wide Budget Summary

The Board of Commissioners approved a budget pertaining to the 2007-08 fiscal year in the amount of \$54,567,913. No mid-year adjustments to appropriations were necessary during the fiscal year. The budget pertaining to the redevelopment agency was established at \$18,058,528 and the budget for all other activities amounted to \$36,509,385. Comparisons of budget and actual financial information are presented only for the General Fund within the MD&A and after the notes to the basic financial reports for other major funds.

General Fund Budget Summary

The Board of Commissioners has discretion over the use of General Fund resources. This fund's resources are available for the Commission's local housing-related projects. All of the Commission's other funds are special revenue funds.

General Fund	Budgeted Amounts	Actual Amounts	Variances
Revenues			
Interest	\$ 140,280	\$ 168,909	\$ 28,629
Other income	823,330	246,347	(576,983)
Total revenue	963,610	415,256	(548,354)
Expenditures			
Administration	16,610	15,916	694
Community Development	806,720	25,708	781,012
Transfer out	140,280	81,322	58,958
Total expenditures	963,610	122,946	840,664
Excess of revenues over expenditures	\$ -	\$ 292,310	\$ 292,310

During the current year expenditures exceeded revenues in the amount of \$292,310. General Fund expenditures amounted to 13% of the budgeted appropriations. During the current year appropriations in the amount of \$806,720 had been approved for the funding of new first-time homebuyer loans. The anticipated expenditures were not made because revenues from loan payoffs, necessary to fund new loans, were not received.

Year Ended June 30, 2008

Capital Assets and Debt Administration*Capital Assets*

The Commission's capital assets are comprised of several computers and a piece of land. Unlike other local governmental agencies, the maintenance of capital assets is insignificant as compared to the Commission's public service activities. No capital assets were put into service or disposed of during the report year.

Debt Administration

At June 30, 2008, the Commission had total long-term debt outstanding of \$2,700,020. Tax allocation bonds represented \$1,715,000 of this liability, notes payable represented \$900,000 and miscellaneous long term payables represented the remaining \$85,020. Additional information concerning the Commission's long-term debt can be found in Note G.

Economic Factors and Next Year's Budget

- The Commission will continue to rely primarily on federal funding for Community Development and Rental Assistance Programs. Management is not aware of any material year-to-year changes to funding levels.
- Tax increment revenues for the Redevelopment Agency may increase, but only slightly considering the down turn in property valuations. The name of the Sonoma Valley Redevelopment project area was changed to The Springs project area. It is expected that a new bond will be issued related to the The Springs project area during the 2008-09 fiscal year. The proceeds from this bond, approximately \$13 million, will be used over the next several years to fund improvements to Highway 12.
- A new funding source will become available during the fiscal year ended June 30, 2009. The Commission will receive a state-funded CalHome housing rehabilitation award. It is expected that the funds will assist in the rehabilitation of several homes during 2008-09 and a greater amount of homes in the year thereafter.

Request for Information

This annual report is intended to provide citizens with a general overview of the Commission's finances. Questions about this report should be directed to the Commission's Controller at 1440 Guerneville Road, Santa Rosa, CA 95403.

Sonoma County Community Development Commission

Introduction to the Statement of Net Assets and Statement of Activities

Year Ended June 30, 2008

The Statement of Net Assets and the Statement of Activities are statements required by Government Accounting Standards Board Statement No. 34. Their purpose is to summarize the entire Commission's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the Commission's assets and its liabilities, as well as its revenues and expenses. This is known as the full accrual basis - the effect of all the Commission's transactions is taken into account, regardless of whether or when cash changes hands.

The Statement of Net Assets reports the difference between the Commission's total assets and the Commission's total liabilities. The Statement of Net Assets focuses the reader on the composition of the Commission's net assets, by subtracting total liabilities from total assets.

The Statement of Net Assets summarizes the financial position of all the Commission's governmental activities and the financial position of all the Commission's Business-Type Activities.

In the current fiscal year, the Commission did not administer any business-type activities.

The Commission's governmental activities include the activities of its General Fund, along with its special revenue funds.

The Statement of Activities reports increases and decreases in the Commission's net assets. It is also prepared on the full accrual basis, which means it includes all the Commission's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the fund financial statements, which reflects only current assets, current liabilities, available revenues and measurable expenditures.

The format of the Statement of Activities shows summarized expenses first, followed by related revenues. Expenses are listed by function or program. Program revenues, revenues which are generated directly by these programs, are deducted from program expenses to arrive at the net expense of each governmental program. The Commission's general revenues are then listed in the Governmental Activities column, and the Change in Net Assets is computed and reconciled with the Statement of Net Assets.

BASIC FINANCIAL STATEMENTS

Sonoma County Community Development Commission

Statement of Net Assets

June 30, 2008

Assets

Cash and investments	\$ 30,011,539
Investments held by trustee	1,307,870
Due from other governments	531,577
Other receivables	249,162
Prepaid expense	827,711
Asset held for resale	420,000
Notes receivable, net	30,575,331
Interest receivable, net	4,799,049
Capital assets, net	103,129

Total assets	68,825,368
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Liabilities

Accounts payable	497,244
Due to other governments	120,147
Interest payable	293,372
Deferred revenues	132,410
Accrued liabilities	146,802
Accrued compensated absences	377,310
Long-term debt:	
Due in one year	240,000
Due in more than one year	2,460,020

Total liabilities	4,267,305
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Net assets

Invested in capital assets, net of related debt	103,129
Restricted for debt service	1,650,699
Restricted for programs	54,197,549
Unrestricted net assets	8,606,686

Total net assets	\$ 64,558,063
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See accompanying Notes to Basic Financial Statements

Sonoma County Community Development Commission

Statement of Activities

Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Net Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental activities:				
Administration	\$ 5,409,561	\$ 53,010	\$ 4,282,450	\$ (1,074,101)
Rental Assistance	21,854,529	-	23,342,914	1,488,385
Community Development	2,343,560	-	8,763,203	6,419,643
Redevelopment	2,347,579	-	874,224	(1,473,355)
Interest on debt	175,412	-	-	(175,412)
Total governmental activities	\$ 32,130,641	\$ 53,010	\$37,262,791	\$ 5,185,160
General revenues:				
Taxes				7,581,035
Interest earned				168,909
Total general revenues				7,749,944
Changes in net assets				12,935,104
Net assets at June 30, 2007				51,622,959
Net assets at June 30, 2008				\$ 64,558,063

See accompanying Notes to Basic Financial Statements

Sonoma County Community Development Commission

Balance Sheet - Governmental Funds

June 30, 2008

	General Fund	Community Development (CDBG)	HOME Program	Section 8 Housing Vouchers	The Springs Housing Fund	Other Non-major Funds	Total Governmental Funds
Assets							
Cash and investments	\$ 4,142,601	\$ 32,747	\$ 4,998	\$ 3,180,758	\$ 757,173	\$ 21,893,262	\$ 30,011,539
Investments held by trustee	-	-	-	-	9,422	1,298,448	1,307,870
Due from other governments	12,896	316,991	-	-	-	372,562	702,449
Other receivables	59,050	-	-	13,380	-	5,359	77,789
Prepaid expense	-	-	-	827,711	-	-	827,711
Due from other funds	625,289	-	-	-	-	-	625,289
Asset held for resale	-	-	-	-	420,000	-	420,000
Notes receivable, net	4,434,658	10,752,616	6,446,502	-	4,071,741	4,869,814	30,575,331
Interest receivable, net	96,502	2,753,209	1,625,647	-	199,726	123,965	4,799,049
Total assets	9,370,996	13,855,563	8,077,147	4,021,849	5,458,062	28,563,410	69,347,027
Liabilities							
Accounts payable	\$ 19,476	\$ 174,738	\$ 42	\$ 9,445	\$ 1,582	\$ 294,060	\$ 499,343
Due to other governments	-	-	4,956	-	-	113,087	118,043
Deferred revenues related to notes receivable	4,531,160	13,505,825	8,072,149	-	4,271,467	4,993,779	35,374,380
Deferred revenues	-	-	-	-	-	132,410	132,410
Due to other funds	300,000	175,000	-	-	-	150,289	625,289
Accrued liabilities	-	-	-	146,802	-	-	146,802
Total liabilities	4,850,636	13,855,563	8,077,147	156,247	4,273,049	5,683,625	36,896,267

See accompanying Notes to Basic Financial Statements

Sonoma County Community Development Commission

Balance Sheet - Governmental Funds (continued)

June 30, 2008

	General Fund	Community Development (CDBG)	HOME Program	Section 8 Housing Choice Vouchers	The Springs Housing Fund	Other Non-major Funds	Total Governmental Funds
Fund balance							
Reserved for:							
Asset held for resale	-	-	-	-	420,000	-	420,000
Debt service	-	-	-	-	-	1,650,699	1,650,699
Unreserved, reported in:							
General fund	4,520,360	-	-	-	-	-	4,520,360
Special revenue fund	-	-	-	3,865,602	765,013	21,229,086	25,859,701
Total fund balances	4,520,360	-	-	3,865,602	1,185,013	22,879,785	32,450,760
Total liabilities and fund balances	\$ 9,370,996	\$ 13,855,563	\$ 8,077,147	\$ 4,021,849	\$ 5,458,062	\$ 28,563,410	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current assets

or financial resources and are therefore not reported in the funds

Non-current liabilities are not due and payable in the current period and therefore

are not reported in the funds:

 Long-term debt

 Interest payable

 Non-current portion of compensated absences

Non-current assets are not available to pay for current period expenditures

and therefore are deferred or not presented in the funds:

 Deferred revenue related to notes receivable

 Other non-current receivables

Net assets of governmental activities

103,129

(2,700,020)

(293,372)

(377,310)

35,374,380

496

\$ 64,558,063

See accompanying Notes to Basic Financial Statements

Sonoma County Community Development Commission

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2008									
	General Fund	Community Development (CDBG)	HOME Program	Section 8 Housing Choice Vouchers	The Springs Housing Fund	Other Non-Major Funds	Total Governmental Funds		
Revenues									
Governmental grants	\$ 25,708	\$ 3,017,515	\$ 1,389,227	\$ 24,653,422	\$ -	\$ 3,219,994	\$ 32,305,866		
Interest	168,909	65,777	-	123,809	16,143	916,543	1,291,181		
Taxes	-	-	-	-	-	7,581,035	7,581,035		
Other income	220,639	181,224	-	85,672	3,441	2,986,325	3,477,301		
Total revenues	415,256	3,264,516	1,389,227	24,862,903	19,584	14,703,897	44,655,383		
Expenditures									
Current:									
Administration	15,916	729,039	130,817	2,253,192	71,869	2,164,108	5,364,941		
Rental Assistance payments	-	-	396,042	20,661,055	-	797,432	21,854,529		
Community Development	25,708	2,535,477	862,368	-	-	3,073,371	6,496,924		
Redevelopment	-	-	-	-	17,716	3,872,493	3,890,209		
Debt service:									
Principal payments	-	-	-	-	-	225,000	225,000		
Interest	-	-	-	-	-	153,758	153,758		
Total expenditures	41,624	3,264,516	1,389,227	22,914,247	89,585	10,286,162	37,985,361		
Excess of revenues over expenditures	373,632	-	-	1,948,656	(70,001)	4,417,735	6,670,022		

See accompanying Notes to Basic Financial Statements

Sonoma County Community Development Commission

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

	Year Ended June 30, 2008						
	General Fund	Community Development (CDBG)	HOME Program	Section 8 Housing Choice Vouchers	The Springs Housing fund	Other Non-Major Funds	Total Governmental Funds
Other financing sources (uses)							
Transfers in (out)	(81,322)	-	-	-	462,040	(380,718)	-
Total other financing sources (uses)	(81,322)	-	-	-	462,040	(380,718)	-
Net change in fund balances	292,310	-	-	1,948,656	392,039	4,037,017	6,670,022
Fund balance at June 30, 2007	4,228,049	-	-	1,916,945	792,974	18,842,770	25,780,738
Fund balance at June 30, 2008	\$ 4,520,359	-	-	\$ 3,865,601	\$ 1,185,013	\$ 22,879,787	\$ 32,450,760

See accompanying Notes to Basic Financial Statements

Sonoma County Community Development Commission
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities

Year Ended June 30, 2008

The schedule below reconciles the Net Change in Fund Balance reported on the Governmental Funds Statements of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the changes in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

Net change in fund balances - total governmental funds	\$ 6,670,022
The change in compensated absences reported in the statement of activities does not require the use of current financial resources and therefore, is not reported as an expenditure in governmental funds.	(41,412)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	(3,208)
In the fund financial statements disbursements of principal for notes receivable are recognized as expenditures as those funds no longer represent current financial resources. Similarly, revenue derived from accrued interest on notes receivable is not recognized in the fund financial statements as those amounts also do not represent current financial resources. Both of these amounts must be added to obtain the change in net assets.	
Disbursements for new notes receivable	5,925,933
Accrued interest earned	688,389
Payments received on notes receivable and related accrued interest amounts provide current financial resources, and thus are recognized as revenue in the fund financial statements when they are collected. In the statement of activities, however, these payments reduce long-term assets in the statement of net assets. Additionally, changes in the allowance for uncollectible notes and interest receivable do not affect current financial resources and therefore must be added in to obtain the change in net assets.	
Principal payments received on notes receivable	(251,235)
Payments received on accrued interest	(114,385)
Increase in allowance for uncollectible notes and interest receivable	(132,846)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	225,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as accrued interest, regardless of when it is due.	(31,154)
Statement of Activities - Changes in Net Assets	\$ 12,935,104

See accompanying Notes to Basic Financial Statements

Year Ended June 30, 2008

The notes to the basic financial statements include a summary of significant accounting policies and other notes considered essential to fully disclose and fairly present the transactions and financial position of the Sonoma County Community Development Commission as follows:

- Note A. Definition of Reporting Entity
- Note B. Summary of Significant Accounting Policies
- Note C. Cash and Investments
- Note D. Restricted Cash and Investments and Liabilities
- Note E. Notes Receivable
- Note F. Capital Assets
- Note G. Long-Term Debt
- Note H. Due to Other Governments and Deferred Revenue
- Note I. Compensated Absences
- Note J. Employer Retirement Plan
- Note K. Contingent Liabilities
- Note L. Lease Commitment
- Note M. Concentrations
- Note N. Recent Governmental Accounting Standards

Note A. Definition of Reporting Entity

The Sonoma County Community Development Commission (the "Commission") was established as a separate public and corporate entity pursuant to Section 34110 of the California Health and Safety Code. The Commission is governed by the Board of Commissioners who are appointed by the elected Board of Supervisors of Sonoma County. The exercise of this oversight responsibility causes the Commission to be an integral part of the County of Sonoma's (the "County") reporting entity. Therefore, the Commission's basic financial statements have also been included as a component unit in the County's annual financial report for the fiscal year ended June 30, 2008.

The Commission's financial statements include activities over which the Board of Commissioners has oversight and budgeting responsibility. Included in the reporting entity are the Housing Authority of the County of Sonoma and the Sonoma County Community Redevelopment Agency.

There are no other organizations or agencies whose basic financial statements should be combined and presented with these basic financial statements.

Note B. Summary of Significant Accounting Policies

The Commission conforms to accounting principles generally accepted in the United States of America as applicable to governmental units. A summary of significant accounting policies is included below:

Basis of Presentation

The accompanying basic financial statements are presented on the basis set forth in Government Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and related statements. This standard requires that the financial statements described below be presented.

Government-wide and Fund Financial Statements

Government-wide statements (i.e. the statement of net assets and the statement of activities) display information about the Commission as a whole. The effect of interfund activities has been removed from these statements. These statements distinguish between the *governmental and business-type activities*. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties. The Commission had no business type activities during the year.

The Statement of Net Assets presents the financial condition of the governmental activities of the Commission at year end. The Statement of Activities demonstrates the degree to which the direct expenses of a given program or function are offset by program revenues. Direct expenses are those that are specifically associated with a program or function and, are clearly identifiable to a particular program or function. Program revenues include 1) charges to customers who purchase, use or directly benefit from goods, services, or privileges provided by a given program or function and 2) grants and contributions that are restricted to the operational or capital requirements of a particular program or function. Taxes and others items not properly included among program revenues are reported as general revenues.

Note B. Summary of Significant Accounting Policies (continued)*Government-wide and Fund Financial Statements (continued)*

The fund financial statements provide information about the Commission's funds. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements report using the economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operations of the Commission are included on the Statement of Net Assets. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Commission receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and grants. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from governmental grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Commission must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Commission on a reimbursement basis.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus only current assets and current liabilities generally are included on the balance sheet. Therefore, in addition to the revenue recognition requirements noted above, revenues in the fund financial statements, including those derived from non-exchange transactions, are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.

The governmental fund financial statements report expenditures in the current period only if current financial resources will be used to pay the related expenditure.

Major Funds

GASB 34 defines major funds and requires that the Commission's major governmental funds be identified and presented separately in the fund financial statements. All other funds, called non-major funds, are to be combined and reported in a single column, regardless of their fund type.

Major funds are defined as funds which have either assets, liabilities, revenues, or expenditures equal to ten percent of their fund-type total and five percent of the grand total of all funds regardless of type. The General fund is always a major fund.

Note B. Summary of Significant Accounting Policies (continued)

Major Funds (continued)

The Commission's financial statements are presented utilizing the following major funds:

General Fund: This is the Commission's primary operating fund. This fund is established to account for all financial resources of the general government, except those required to be accounted for in another fund. The General Fund also includes the Commission Housing Fund which was established to support the Mobile Home Space Rent Assistance Program ("MSRAP"). MSRAP is funded by the interest earned on pooled cash in the General Fund.

Special Revenue Funds: These funds are used to account for assets, liabilities, revenues and expenditures related to activities supported by specific taxes or other designated revenue sources. These funds are generally required by state, charter or ordinance to finance specific government functions.

Community Development (CDBG) Fund - This fund provides for a wide variety of community development activities that are funded mainly by the U.S. Department of Housing and Urban Development (HUD). These community development activities include the rehabilitation of single family housing, the support of fair housing services, partial funding of the homeless support centers and improving features of buildings and facilities pertaining to persons with disabilities.

HOME Program Fund - The HOME program fund accounts for the activities of the HUD funded Home Investments Partnership program. This program was developed by the Community Planning and Development (CPD) section of HUD. HUD funds are used in partnership with local nonprofit developers to create new low income rental housing. Eligible projects include activities that build, buy, or rehabilitate affordable housing for rent or home ownership or provide direct rental assistance to low income people.

Section 8 Housing Choice Voucher Fund - This fund is established to account for housing assistance programs funded by the U.S. Department of Housing and Urban Development. These programs provide rent subsidies to low-income families, elderly, or disabled individuals.

The Springs Housing Fund: This fund supports housing-related redevelopment projects in the Springs project area which is located in the Sonoma Valley portion of the County. Project funds are typically disbursed in the form of a loan to low-income persons or to agencies that serve this population.

This is one of three funds which is used to account for the Commission's eastern-most redevelopment project area. During 2007-08 this project area, previously know as Sonoma Valley, was renamed to The Springs.

Cash and Investments

The majority of the Commission's cash and investments are pooled with the Sonoma County Treasurer in the County Treasury Investment Pool ("the Treasury Pool"), which is an external investment pool. The Commission also has cash deposits with banks, and investments, which are held by an outside trustee. The Sonoma County Treasurer also acts as a disbursing agent for the Commission. The fair value of the investments in the Sonoma County Treasury pool is determined quarterly. Realized and unrealized gains or losses and interest earned on pooled investments are allocated quarterly to the appropriate funds based on their respective average daily balance for that quarter.

The Commission applies the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, which require governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred.

The Commission applies the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment to GASB No. 3*, which requires governmental entities to provide proper disclosures on common deposit and investment risk related to custodial credit risk, credit risk, interest rate risk and concentrations of credit risk.

Other Receivables

Other receivables consist of grants and contracts receivable from other governments and miscellaneous receivables related to the Commission's various programs. It is the opinion of management that all such receivables will be collected.

Asset Held for Resale

An asset which the Commission is not using in operations and that it intends to sell is classified on the Statement of Net Assets and the Governmental Funds Balance Sheet as "Asset Held for Resale." The asset held for resale is a piece of land with a commercial building on it. The carrying value of the asset is the lower of the assets cost or its net realizable value, which is currently its historical cost to the Commission.

Notes and Interest Receivable

As part of the Commission's housing rehabilitation programs and low-income housing development programs, the Commission makes certain loans to homeowners, non-profit agencies and for-profit entities. The Commission accrues interest on these loans based on the loan agreement.

The Commission's notes receivable are primarily "second mortgages" which follow a first lender in order of security interest. It is the Commission's policy that all notes made will follow only "traditional" fixed interest rate loans with 20 to 30 year amortization periods. All of the Commission's notes and interest receivable are secured upon the related real property.

The Commission performs an analysis of notes receivable annually to estimate the potential for uncollectible notes and interest receivable. This analysis involves consideration of the notes risk of default and, should a default take place, the probability that the value of the property which the note is secured on will be less than the related outstanding debt.

Note B. Summary of Significant Accounting Policies (continued)*Notes and Interest Receivable (continued)*

Loans and interest receivable appear as notes and interest receivable, net of allowances for uncollectibles, with a corresponding deferred revenue amount in the fund financial statements.

In the government-wide financial statements, notes and interest receivable are presented on the Statement of Net Assets at their full value, net of an allowance for uncollectibles, with no corresponding deferred revenue amount.

Capital Assets

Capital assets are stated at cost or estimated historical cost. The Commission defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Depreciation has been provided for, excluding land, using the straight-line method over estimated lives ranging from 3 to 50 years. Useful lives of machinery and equipment are generally estimated to be 3 to 15 years. Buildings and improvements are generally estimated to have useful lives ranging from 30 to 50 years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Capital assets are not recognized in the fund financial statements as they do not represent current financial resources.

Deferred Revenues

Deferred revenues are recognized for transactions for which cash has been received but the related revenue has not yet been earned. Typical transactions recorded as deferred revenue are for grants received but not yet earned.

Additionally, in the fund financial statements where the modified accrual basis is used, notes and interest receivable are presented with a corresponding deferred amount as those assets do not represent current financial resources.

Accrued Compensated Absences

The Commission's employees are entitled to certain compensated absences based on their length of employment. Vacation pay, which may be generally accumulated up to 240 hours, is payable upon termination. Sick leave may be accumulated without limitation. The monetary equivalent of 25% of all unused sick leave is vested and payable to employees who separate from the Commission for reasons other than disability.

Because vacation and sick leave balances do not require the use of current financial resources, no liability is recorded within the governmental funds. However, vacation and sick leave balances are reflected in the government-wide Statement of Net Assets. In compliance with GASB Statement No. 16, *Accounting for Compensated Absences*, the amount reported includes estimated employer liability for taxes.

Note B. Summary of Significant Accounting Policies (continued)*Program Revenues*

The Statement of Activities reports program revenues pertaining to the Commission's various program areas. The operating grants and contributions in this section include awards from governmental agencies. Charges for services include fees generated by the activities of the various programs. Fees generated by a program remain within the program and are used for program purposes.

Property Tax Revenue

Property taxes, including tax rates, are regulated by the State and are administered locally by the County. The County is responsible for assessing, collecting and distributing property taxes in accordance with state law. The County is responsible for the allocation of property taxes to the Commission.

The County has adopted the Teeter Alternative Method of Property Tax Allocation known as the "Teeter Plan". The State Revenue and Taxation Code allows counties to distribute secured real property and supplemental property taxes on an accrual basis resulting in full payment to the Commission each fiscal year. Any subsequent delinquent payments and related penalties and interest will revert to the County.

Property taxes are recognized as revenue when they are levied for, as they are considered to be both measurable and available at this point in time. Liens on real property are established January 1 for the ensuing fiscal year. The property tax is levied as of July 1 on all taxable property located in the County. Secured property taxes are due in two equal installments on November 1 and February 1, and are delinquent after December 10 and April 10, respectively. Additionally, supplemental property taxes are levied on a pro rata basis when changes in assessed valuation occur due to sales transactions or the completion of construction. Property tax collection and valuation information is disclosed in the County's financial statements.

Budgeting Procedures

The Commission participates in the budgetary process of the County. During March each year, the Executive Director of the Commission must submit estimates of available financing and financing requirements for the Commission to the County Administrator. The administrator makes any necessary revisions and submits the budget to the Board of Supervisors for approval.

Subsequent revisions to the budget are made in the form of either supplemental appropriations or transfers between budget categories. The Board of Commissioners approves all significant budgetary revisions.

Grant Restrictions

The Commission has received grants from the U.S. Department of Housing and Urban Development that provide for community development activities and housing assistance to individuals. The Commission must adhere to the regulations pertaining to the Housing Choice Voucher, CDBG, HOME, Federal Emergency Shelter and other programs. These grants require that only individuals and families that meet various income, age, disability, employment, or other standards be housed or aided.

Note B. Summary of Significant Accounting Policies (continued)*Non-exchange Transactions*

Non-exchange transactions are transactions in which the Commission gives or receives value without directly receiving or giving equal value in exchange, for example, redevelopment tax increments and other grants. On an accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. On the modified accrual basis, these revenues must also be available in order to be recognized.

Restricted Assets and Liabilities

Restricted assets represent cash, investments and receivables maintained in accordance with agreements or bond resolutions for the purpose of funding certain debt service payments.

Restricted liabilities represent those liabilities which will be paid for with restricted assets.

Net Assets and Fund Balance

Net assets represent the difference between assets and liabilities on the full accrual basis, as represented on the Statement of Net Assets. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

Fund balance represents the difference between assets and liabilities on the modified accrual basis as represented in the Governmental Funds Balance Sheet. Portions of fund balance may be classified as *reserved* for portions of fund balance which do not represent current financial resources.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Encumbrances

The Commission does not use encumbrance accounting.

Year Ended June 30, 2008

Note C. Cash and Investments

The Commission follows the practice of pooling cash and investments of all funds with the County Treasurer except for funds required to be held by outside fiscal agents or trustees under the provisions of bond indentures and grant agreements. The Treasury Oversight Committee has regulatory oversight for all monies deposited into the Treasury Pool.

Interest income earned on pooled cash and investments is allocated quarterly to the various funds based on the average daily balances by fund during the quarter. Interest income from cash and investments with fiscal agents or trustees is credited directly to the related fund.

Investment Guidelines

The Commission's pooled cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer and approved by the Board of Supervisors. The objectives of the policy are, in order of priority: safety of capital, liquidity and maximum rate of return. The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

Permitted investments include the following:

- U.S. Treasury and Federal Agency securities
- Bonds issued by local agencies
- Registered State Warrants and Municipal Notes
- Negotiable certificates of deposit
- Bankers' acceptances
- Commercial paper
- Medium-term corporate notes
- Local Agency Investment Fund (State Pool) demand deposits
- Repurchase agreements
- Reverse repurchase agreements
- Shares of a mutual fund average life
- Collateralized mortgage obligations
- Joint power agreements

A copy of the County Investment Policy is available upon request from the Treasurer at 585 Fiscal Drive, Room 100F, Santa Rosa, California, 95403.

Financial Statements

Cash and investments as of June 30, 2008 are comprised of the following:

Cash and investments in Sonoma County	
Treasurer's pooled cash	\$ 29,388,439
Cash with bank	572,206
Petty cash	250
	<hr/>
Total cash and investments	\$ 29,960,895
	<hr/>
Investments held by trustee	\$ 1,307,870

Note C. Cash and Investments (continued)

*Financial Statements (continued)*Investments in County Treasurer's Pooled cash

As of June 30, 2008, the Commission's cash and investments balance managed by the County Treasurer was \$29,388,439. At that time, the weighted average maturity of the investments in the pool was less than two years. The credit rating and other information regarding the Treasury pool for the year is disclosed in the Sonoma County's 2007-08 Comprehensive Annual Financial Report.

The net decrease in the fair value of the Commission's investments during the year was \$9,424. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The cumulative unrealized gain on investments held at year end amounted to \$50,644. The realized gain and loss from securities matured during the current fiscal year are recognized through the net change in the fair value of the investment held in the Treasury Pool.

Non-pooled cash and investments and investments held by trustee

Included in the non-pooled cash and investments balance are \$250 cash on-hand and \$572,206 cash deposited with a bank. Investments held by trustee are comprised of \$973,369 in mutual funds and \$334,501 in investment contracts.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Commission manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments, and by timing cash flows from maturities so that a portion of the portfolio is maturing, or coming close to maturity, evenly over time, as necessary, to provide the cash flow and liquidity needed for operations. The majority of the Commission's cash and investments is held by the Treasury Pool, which has a weighted average maturity of less than two years. The information about the sensitivity of the fair values of the Commission's non-pooled investments to market interest rate fluctuations is provided by the following table showing the distribution of the Commission's investments by maturity:

Investment Type	Less than 1 year	Five years or more	Total
Mutual fund held by trustee:			
Treasury Obligations Fund	\$ 973,369	\$ -	\$ 973,369
Investment contracts	-	334,501	334,501
Total	\$ 973,369	\$ 334,501	\$ 1,307,870

Note C. Cash and Investments (continued)*Custodial Credit Risk*

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

California law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the Commission's cash or deposit or first trust deed mortgage notes with a value 150% of the deposit as collateral for these deposits. Under California law this collateral is held in the Commission's name and places the Commission ahead of general creditors of the institution. The Commission has waived the collateral requirements for the portion of deposits covered by federal deposit insurance.

As of June 30, 2008, \$472,206 of the Commission's bank balance of \$572,206 was uninsured and uncollateralized, and was therefore exposed to custodial credit risk.

As of June 30, 2008, the Commission's investment in investment contracts of \$334,501 was uninsured, registered in the Commission's name, and held by a trustee.

Concentration of Credit Risk

The investment policy of the Commission contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The Commission has no investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Commission follows the County's policy to purchase investments with the minimum ratings required by the California Government Code. Presented below is the minimum rating required by (where applicable) the California Government Code, the County's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

Investment Type	Total	Minimum Legal Rating	Exempt From Disclosure	Rating at year end	
				AAA	Not Rated
Investments held by trustee:					
Treasury obligations fund	\$ 973,369	A	\$ -	\$ 973,369	\$ -
Investment contracts	334,501	N/A	-	-	334,501
Total	\$1,307,870		\$ -	\$ 973,369	\$334,501

Sonoma County Community Development Commission

Notes to the Basic Financial Statements

Year Ended June 30, 2008

Note C. Cash and Investments (continued)

Credit Risk (continued)

Funds totaling \$29,439,083 are pooled with other County of Sonoma funds and are invested pursuant to investment policies established by the County Treasurer. Investments in the County Treasury pool are unrated.

Note D. Restricted Cash and Investments and Liabilities

The Commission has classified certain cash and investments as restricted due to the restrictive nature of the agreements surrounding the funding of certain programs:

Restricted cash and investments at June 30, 2008 were as follows:

Restricted cash	\$ 572,206
Restricted investments	25,378,271
Restricted investments held by trustee	1,307,870
	<u> </u>
Total	\$ 27,258,347

Liabilities payable from restricted amounts at June 30, 2008 were as follows:

Bonds payable	\$ 1,715,000
Accounts payable	371,056
Notes payable	900,000
Other payables	525,098
Interest payable	164,341
	<u> </u>
Total	\$ 3,675,495

Note E. Notes Receivable

At June 30, 2008, notes receivable and the programs from which they originated were as follows:

Community Development Block Grant	\$ 11,256,043
HOME	6,446,502
Redevelopment Agency	6,614,932
CHFA HELP and HCD	2,523,534
CDC Housing Fund	4,569,513
	<u> </u>
	31,410,524
	<u> </u>
Allowance for uncollectibles	(835,193)
	<u> </u>
Total notes receivable	\$ 30,575,331

Notes to the Basic Financial Statements

Year Ended June 30, 2008

Note E. Notes Receivable (continued)

At June 30, 2008, interest receivable was as follows:

Interest receivable	\$ 4,949,979
Allowance for uncollectibles	(150,930)
Total interest receivable	\$ 4,799,049

There are various types of these notes receivable. Some require monthly principal reduction, and others have balloon payments at the end of the term of the note. Interest rates on the loans range from zero to ten percent per annum.

Note F. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Capital assets, not being depreciated:				
Land	\$ 94,841	\$ -	\$ -	\$ 94,841
Capital assets, being depreciated:				
Equipment and buildings	39,359	-	-	39,359
	134,200	-	-	134,200
Accumulated depreciation for equipment and buildings	(27,863)	(3,208)	-	(31,071)
	\$ 106,337	\$ (3,208)	\$ -	\$ 103,129

Current depreciation expense of \$3,208 was charged to the "Administration" activity on the Statement of Activities.

Note G. Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2008 is as follows:

	Balance July 1, 2007	Additions	Payments	Balance June 30, 2008
Bonds payable	\$ 1,890,000	\$ -	\$ 175,000	\$ 1,715,000
Notes payable	950,000	-	50,000	900,000
Other long-term payables	85,020	-	-	85,020
	\$ 2,925,020	\$ -	\$ 225,000	\$ 2,700,020

Sonoma County Community Development Commission

Notes to the Basic Financial Statements

Year Ended June 30, 2008

Note G. Long-Term Debt (continued)

Due in one year	\$ 240,000
Due in more than one year	2,460,020
	<u>\$ 2,700,020</u>

Annual Requirements

The annual principal and interest requirements on the long-term debt outstanding at June 30, 2008, are as follows:

Bonds Payable

	Principal	Interest	Total
Year ending			
2009	\$ 190,000	\$ 127,980	\$ 317,980
2010	205,000	112,377	317,377
2011	225,000	95,393	320,393
2012	240,000	77,025	317,025
2013	260,000	57,275	317,275
2014-15	595,000	47,993	642,993
	<u>\$ 1,715,000</u>	<u>\$ 518,043</u>	<u>\$ 2,233,043</u>

Bonds payable at June 30, 2008 are comprised of two tax allocation bond issuances. The bonds were issued to fund redevelopment projects of the County. The bonds are secured solely on the tax revenues of the Commission.

The Roseland, 1986 Series A Bond has a maturity date of August 1, 2014, carries an interest rate of 7.9% per annum with \$685,000 outstanding at June 30, 2008. Sonoma Valley, 1986 Series B Bond has a maturity date of August 1, 2014, carries an interest rate of 7.9% per annum with \$1,030,000 outstanding as of June 30, 2008. Interest is payable on both series on August 1 and February 1.

The original amounts of the bonds at issuance were \$1,330,000 and \$2,000,000 for the Series A and B bonds, respectively. Both Series A and B bonds are callable by the Commission at the Commission's discretion. The Commission is currently exercising its right to call the bonds pursuant to a fixed schedule. The reduction in principal for each year in the above schedule reflects the Commission's schedule of calling the bonds in future years.

Sonoma County Community Development Commission

Notes to the Basic Financial Statements

Year Ended June 30, 2008

Note G. Long-Term Debt (continued)

Notes Payable

	Principal	Interest	Total
Year ending			
2009	\$ 50,000	\$ 8,520	\$ 58,520
2010	50,000	5,680	55,680
2011	50,000	2,840	52,840
2012	0	0	0
2013	0	0	0
2014	750,000	221,835	971,835
	\$ 900,000	\$ 238,875	\$ 1,138,875

The Commission obtained a loan from the City of Santa Rosa in June of 2001 in the amount of \$500,000. The outstanding balance of this loan at June 30, 2008 is \$150,000. The loan bears interest at 5.68%. The loan principal and interest are to be repaid in ten equal annual installments which began in June 2003. The proceeds from the loan were used to widen and reconstruct Sebastopol Road which is within the Roseland Redevelopment Project Area.

The Commission also obtained a loan, known as the HELP Loan, in the amount of \$682,500 from the State of California, California Housing Finance Agency (CHFA) in April of 2004. During the fiscal year ended June 30, 2005, the Commission borrowed an additional \$67,500 under the same loan agreement, bringing the total principal outstanding at June 30, 2008 to \$750,000. This is a 3% simple interest loan and the maturity date is March 3, 2014. The loan principal and interest is to be paid in full on the maturity date. The proceeds of the loan were used to issue a loan to a local nonprofit agency.

Other Long-term Payables

In addition to bonds and notes payable, the Commission has also recognized certain long-term payables which have no fixed repayment schedule. These amounts were startup funds provided by other governmental agencies to be used for specific programs. The Commission will not be required to repay these amounts until the termination of the related programs, which are currently estimated to continue indefinitely.

Other long-term payables at June 30, 2008 were as follows:

Sonoma County Start-up funds	\$ 50,000
Rohnert Park Rehabilitation Program	25,020
California State Housing Finance Authority	10,000
Total other long-term payables	\$ 85,020

Year Ended June 30, 2008

Note G. Long-Term Debt (continued)*Interest Payable*

Interest payable consists of interest accrued on the following obligations:

Payable from unrestricted assets	
California State Housing Finance Authority, HELP Loan	\$ 99,281
California State Housing Finance Authority, Rehab Loan	8,024
Payable from restricted assets	
Flood Elevation	87,524
Sonoma Valley Redevelopment Bonds, Series B	33,904
City of Rohnert Park, Rehabilitation	41,507
Roseland Redevelopment Bonds, Series A	22,548
City of Santa Rosa, Roseland Redevelopment	584
Total accrued interest payable	\$ 293,372

Note H. Due to Other Governments and Deferred Revenue

The Commission has recorded liabilities for amounts owed to governmental agencies as a result of unexpended program funds. The amounts due to other governmental agencies as of June 30, 2008 were as follows:

Hazard Mitigation Grant program	\$ 113,087
City of Santa Rosa	2,104
HOME program	4,956
Total due to other governments	\$ 120,147

Deferred revenues represent amounts for which revenues have not been earned. At June 30, 2008, deferred revenues were as follows:

County of Sonoma	\$ 132,410
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Additionally, at June 30, 2008, the following deferred revenue amount was recorded in the fund financial statements because the notes receivable are not available to finance expenditures of the current period:

Deferred revenue related to notes receivable	\$ 35,374,380
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Note I. Compensated Absences

Accrued liability amounts due to employees for compensated absences as of June 30, 2008 were as follows:

Vacation	\$ 215,067
Sick leave	112,137
Comp-time related benefits	50,106
Total compensated absences	\$ 377,310

Note J. Employer Retirement Plan

The Commission participates in a defined benefit retirement plan (DDPP or the "Plan") that is administered by the Sonoma County Employee's Retirement Association. All full-time employees of the Commission participate in this plan. The Commission had 40 participants at June 30, 2008. The Plan provides benefits as defined by law upon retirement, death, or disability of its members. Benefits are based upon the employee's highest level of annual salary, years of service, and age at the time of retirement. The Commission's total payroll for covered employees was \$4,105,484 for the year ended June 30, 2008.

The Plan is funded by actuarially-determined regular contributions using the entry age normal cost method. Under the entry age cost method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the working lifetime of the individual. Employer and member contributions are funded and recognized through the County payroll system via employer benefit payments and employee deductions.

Defined benefit pension plan members are required to contribute 5 percent to 10 percent of their annual covered salary, and their particular rate is based upon age at entry into the system. The Commission is required to contribute the remaining amounts necessary to finance the coverage of the employees through periodic contributions at actuarially determined rates. The Commission's contributions to the Plan during the year ended June 30, 2008 was \$659,203.

Member contributions cannot be withdrawn until separation from employment. Member contributions are forfeited to the retirement plan if the member does not request a refund within five years of termination of membership and employment.

The 10-year trend analysis and other disclosures required by generally accepted accounting principles are described in the financial statements of the County of Sonoma, California as of June 30, 2008. Additional detailed information and/or separately issued financial statements of the Retirement Association can be obtained from the Sonoma County Employee's Retirement Association located at: 433 Aviation Boulevard, Suite 100, Santa Rosa, California 95403.

Note K. Contingent Liabilities*Insurance*

The Commission, as a component unit of the County, is named insured on all general and automobile liability coverage maintained by the County of Sonoma. The County maintains a self-insured retention of \$1,000,000 per occurrence which is accounted for in the County's Risk Management Internal Service Fund. Excess liability coverage is maintained through participation in the California State Association of Counties, Excess Insurance Authority (CSAC-EIA), and Excess Liability Program. Limits of this coverage are \$15,000,000. The Commission is covered under this program for general liability, auto liability, public employee faithful performance/dishonesty and property insurance.

Note K. Contingent Liabilities (continued)*Insurance (continued)*

During the current fiscal year, the Commission paid annual premiums to the County for the above insurance coverage in the amount of \$20,330. Settlements have not exceeded coverage for each of the past three fiscal years.

The Commission maintains worker's compensation insurance through the State Compensation Insurance Fund.

Grants

The Commission has received funds from various federal, state, and local grant programs. It is possible that at some future date it may be determined that the Commission was not in compliance with applicable grant requirements. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Commission does not expect such disallowed amounts, if any, to materially affect the financial statements.

Note L. Lease Commitment

The Commission has entered into a lease agreement for its central offices. The lease agreement expires on June 30, 2009. At June 30, 2008, the future minimum rental payments required under this lease is as follows:

Year ended June 30, 2009	\$ 259,515
	<u>\$ 259,515</u>

Total rental expense for the year ended June 30, 2008 for the Commission's central office space was \$249,165

Note M. Concentrations

The Commission receives significant funding from the U.S. Department of Housing and Urban Development for the operations of its programs. The Commission receives significant funding from the County of Sonoma in the form of redevelopment tax increment and other revenues. For the year ended June 30, 2008, these amounts represented 66% and 24% of revenues, respectively.

At June 30, 2008, \$11,563,885 of the notes receivable balance and \$2,116,336 of the interest receivable balance were due from a single non profit agency. These amounts represent 38% and 44% of the Commission's total respective balances for notes and interest receivable.

Note N. Recent Governmental Accounting Standards

The Governmental Accounting Standard Board ("GASB") has released the following new standards:

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Other than Pension* issued in June 2004. This Statement establishes standards for the measurement, recognition, and display of Postemployment Benefits expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

Statement No. 50, *Pension Disclosures-an amendment of GASB Statements No. 25 and No. 27* issued in May 2007. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits. Please refer to the County of Sonoma Comprehensive Annual Financial Report for additional information pertaining to the County of Sonoma's implementation of GASB Statements Numbered 45 and 50.

REQUIRED SUPPLEMENTARY INFORMATION

Sonoma County Community Development Commission
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund

Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
Revenues				
Governmental Grants	-	-	25,708	25,708
Interest	140,280	140,280	168,909	28,629
Other income	823,330	823,330	220,639	(602,691)
Total revenues	963,610	963,610	415,256	(548,354)
Expenditures				
Administration	16,610	16,610	15,916	694
Community Development	806,720	806,720	25,708	781,012
Total expenditures	823,330	823,330	41,624	781,706
Excess of revenues over expenditures	140,280	140,280	373,632	233,352
Other financing sources (uses)				
Transfer OUT	140,280	140,280	81,322	58,958
Net change in fund balance	-	-	292,310	292,310
Fund Balance at June 30, 2007	4,228,049	4,228,049	4,228,049	-
Fund Balance at June 30, 2008	4,228,049	4,228,049	4,520,359	292,310

See accompanying Notes to Required Supplementary Information

Sonoma County Community Development Commission
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Community Development Block Grant

Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
Revenues				
Government grants	3,900,000	3,900,000	3,017,515	(882,485)
Interest	-	-	65,777	65,777
Other income	-	-	181,224	181,224
Total revenues	3,900,000	3,900,000	3,264,516	(635,484)
Expenditures				
Administration	782,200	782,200	729,039	53,161
Community Development	3,117,800	3,117,800	2,535,477	582,323
Total expenditures	3,900,000	3,900,000	3,264,516	635,484
Excess of revenues over expenditures	-	-	-	-
Fund Balance at June 30, 2007	-	-	-	-
Fund Balance at June 30, 2008	-	-	-	-

See accompanying Notes to Required Supplementary Information

Sonoma County Community Development Commission
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - HOME

Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
Revenues				
Government grants	1,490,540	1,490,540	1,389,227	(101,313)
Total revenues	1,490,540	1,490,540	1,389,227	(101,313)
Expenditures				
Administration	116,880	116,880	130,817	(13,937)
Rental Assistance	326,560	326,560	396,042	(69,482)
Community Development	1,047,100	1,047,100	862,368	184,732
Total expenditures	1,490,540	1,490,540	1,389,227	101,313
Excess of revenues over expenditures	-	-	-	-
Fund Balance at June 30, 2007	-	-	-	-
Fund Balance at June 30, 2008	-	-	-	-

See accompanying Notes to Required Supplementary Information

Sonoma County Community Development Commission
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Section 8 Housing Choice Vouchers

Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
Revenues				
Government grants	22,929,040	22,929,040	24,653,422	1,724,382
Interest	-	-	123,809	123,809
Other income	114,990	114,990	85,672	(29,318)
Total revenues	23,044,030	23,044,030	24,862,903	1,818,873
Expenditures				
Administration	2,302,030	2,302,030	2,253,192	48,838
Rental Assistance	20,742,000	20,742,000	20,661,055	80,945
Total expenditures	23,044,030	23,044,030	22,914,247	129,783
Excess of revenues over expenditures	-	-	1,948,656	1,948,656
Fund Balance at June 30, 2007	1,916,945	1,916,945	1,916,945	-
Fund Balance at June 30, 2008	1,916,945	1,916,945	3,865,601	1,948,656

See accompanying Notes to Required Supplementary Information

Sonoma County Community Development Commission
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - The Springs Housing Fund

Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
Revenues				
Tax Increment	760,300	760,300	-	(760,300)
Interest	93,440	93,440	16,143	(77,297)
Other income	-	-	3,441	3,441
Total revenues	853,740	853,740	19,584	(834,156)
Expenditures				
Administration	83,500	83,500	71,869	11,631
Redevelopment	3,464,240	3,464,240	17,716	3,446,524
Total expenditures	3,547,740	3,547,740	89,585	3,458,155
Excess of revenues over expenditures	(2,694,000)	(2,694,000)	(70,001)	2,623,999
Other financing sources (uses)				
Transfer IN	-	-	462,040	462,040
Net change in fund balance	(2,694,000)	(2,694,000)	392,039	3,086,039
Fund Balance at June 30, 2007	792,974	792,974	792,974	-
Fund Balance at June 30, 2008	(1,901,026)	(1,901,026)	1,185,013	3,086,039

See accompanying Notes to Required Supplementary Information

Year Ended June 30, 2008

Note A. Budgetary Accounting

Budgets are adopted on a non-GAAP basis. The County of Sonoma, whose budget the Sonoma County Community Development Commission (the "Commission") is part of, employs encumbrance accounting; however, the Commission does not use encumbrance accounting. Therefore, budgetary amounts for the Commission are equivalent to amount on a GAAP basis.

The Board of Commissioners of the County of Sonoma establishes the budget of the Commission and also approves any budgetary amendments.

Note B. Financial Data Schedule

The U. S. Department of Housing and Urban Development (HUD) requires the Sonoma County Community Development Commission (the Commission) to include a certain supplemental financial report to accompany the Commission's financial statements. The HUD-prescribed Financial Data Schedule (FDS) is the supplemental report required of all Public Housing Agencies (PHAs). In previous fiscal years this additional HUD-formatted financial information was not only summarized within the audit report, but was also submitted to HUD electronically. The supplemental report was produced using a HUD-sponsored online computer system.

The HUD system is design to provide PHA staff the ability to enter unaudited financial information by August 31st for the fiscal year just ended June 30th. Typically information from audited financial statements would be entered into HUD's system by March 31st or prior to when the agency's audit was due, whichever was earlier. HUD's system was not operational from May 2008 through this report date and is not expected to be operational prior to when the Commission's audited financial statements are due to various funding sources. Commission staff, like all users of the system, have not been able to enter information, hence we are not able to comply with the HUD-mandated reporting requirement.

The Sonoma County Community Development Commission is required to produce audited financial statements annually. Preparing said statements is required by federal, state and local governmental agencies. The County of Sonoma requires the Commission to submit its audited financial statements to the County by September 30th of each year. OMB Circular A-133 requires that the Commission submit its audit report within nine months of the agency's year-end. The Commission's fiscal year end is June 30th and the audit must be submitted to the Federal Clearing House and other agencies no later than March 31, 2009.

HUD has been working to redesign the FDS and the related computerized data collection system. During the summer of 2008 HUD estimated that the revised system would be operational by September 22, 2008. As of mid November of 2008 the system was not yet online.

Normally the independent auditor hired by the Commission performs limited procedures on the HUD-required supplemental information described above. The auditor's practice is to note said testing and their opinion thereon in the last paragraph of the Independent Auditor's Report. No such testing was performed during the review to of the Sonoma County Community Development Commission's financial statements for the year ending June 30, 2008. Commission staff will remain in communication with HUD officials. Once HUD's system is online, the FDS reports will be completed and the independent auditor may be requested to perform additional testing and procedures at that time depending on HUD's resolution of the computer system related problems.

SUPPLEMENTAL INFORMATION

Sonoma County Community Development Commission

Combining Balance Sheet - Non-major Governmental Funds

June 30, 2008

	MCC	Mobile Home	HAC	HE and Other County Programs	County Fund for Housing	Rohnert Park Rehabilitation	FESG	Flood Elevation	Shelter Plus Care	MSRAP	Sub-total
Assets											
Cash and investments	\$ 7,390	\$ 233,408	\$ 19,245	\$ 21,636	\$ 3,768,416	\$ 24,386	\$ -	\$ 142,450	\$ -	\$ -	\$ 4,216,931
Investments held by trustee	-	-	-	-	-	-	-	-	-	-	-
Due from other governments	-	-	4,976	-	153,000	52,930	11,877	-	49,607	-	272,390
Other receivables	-	3,900	-	-	-	-	-	-	1,282	-	5,182
Deposits	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-	-
Notes receivable, net of allowance for uncollectible	-	-	-	-	2,523,534	-	-	-	-	-	2,523,534
Interest receivable, net of allowance for uncollectible	-	-	-	-	49,171	-	-	-	-	-	49,171
Total assets	\$ 7,390	\$ 237,308	\$ 24,221	\$ 21,636	\$ 6,494,121	\$ 77,316	\$ 11,877	\$ 142,450	\$ 50,889	\$ -	\$ 7,067,208

Sonoma County Community Development Commission

Combining Balance Sheet - Non-major Governmental Funds (continued)

June 30, 2008

	MCC	Mobile Home	HAC	HE and Other County Programs	County Fund for Housing	Rohnert Park Rehabilitation	FESG	Flood Elevation	Shelter Plus Care	MSRAP	Sub-total
Liabilities											
Accounts payable	\$ -	\$ 15	\$ 8	\$ 21,636	\$ 128	\$ 12,354	\$ 11,877	\$ 77,252	\$ 600	\$ 2	\$ 123,872
Due to other agencies	-	-	-	-	-	-	-	113,087	-	-	113,087
Deferred revenues related to notes receivable	-	-	-	-	2,572,705	-	-	-	-	-	2,572,705
Deferred revenues	-	-	-	-	132,410	-	-	-	-	-	132,410
Due to other funds	-	-	-	-	-	-	-	-	50,289	-	50,289
Accrued liabilities	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	15	8	21,636	2,705,243	12,354	11,877	190,339	50,889	2	2,992,363
Fund balance											
Reserved for debt service	-	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:											
General fund	-	-	-	-	-	-	-	-	-	-	-
Special revenue fund	7,390	237,293	24,213	-	3,788,878	64,962	-	(47,889)	-	(2)	4,074,845
Total fund balances	7,390	237,293	24,213	-	3,788,878	64,962	-	(47,889)	-	(2)	4,074,845
Total liabilities and fund balances	\$ 7,390	\$ 237,308	\$ 24,221	\$ 21,636	\$ 6,494,121	\$ 77,316	\$ 11,877	\$ 142,450	\$ 50,889	\$ -	\$ 7,067,208

Combining Balance Sheet - Non-major Governmental Funds (continued)

June 30, 2008

	HMIS	Roseland Redevelop- ment Nonhousing	Roseland Redevelop- ment Set Aside	Roseland Debt Service	The Springs Redevelop- ment Nonhousing	The Springs Debt Service	Russian River Redevelop- ment Nonhousing	Russian River Set Aside	Sub-total	Sub-total from Page 48	Total
Assets											
Cash and investments	\$ 13,753	\$ 3,104,763	\$ 1,133,187	\$ 340,208	4,609,776	\$ 500,103	\$ 6,379,328	\$ 1,595,213	\$ 17,676,331	\$ 4,216,931	\$ 21,893,262
Investments held by trustee	-	191,544	-	326,224	296,516	484,164	-	-	1,298,448	-	1,298,448
Due from other governments	100,172	-	-	-	-	-	-	-	100,172	272,390	372,562
Other receivables	177	-	-	-	-	-	-	-	177	5,182	5,359
Due from other funds	-	-	-	-	-	-	-	-	-	-	-
Notes receivable, net of allowance for uncollectible	-	-	336,400	-	553,888	-	342,830	1,113,162	2,346,280	2,523,534	4,869,814
Interest receivable, net of allowance for uncollectible	-	-	-	-	3,077	-	6,567	13,617	74,794	49,171	123,965
Total assets	\$ 114,102	\$ 3,296,307	\$ 1,521,120	\$ 666,432	\$ 5,463,257	\$ 984,267	\$ 6,728,725	\$ 2,721,992	\$ 21,496,202	\$ 7,067,208	\$ 28,563,410

Sonoma County Community Development Commission

Combining Balance Sheet - Non-major Governmental Funds (continued)

June 30, 2008

	HMIS	Roseland Redevelop- ment Nonhousing	Roseland Redevelop- ment Set Aside	Roseland Debt Service	The Springs Redevelop- ment Nonhousing	The Springs Debt Service	Russian River Redevelop- ment Nonhousing	Russian River Set Aside	Sub-total	Sub-total from Page 49	Total
Liabilities											
Accounts payable	\$ 14,102	\$ 35	\$ 76,385	\$ -	\$ 17,246	\$ -	\$ 49,012	\$ 13,408	\$ 170,188	\$ 123,872	\$ 294,060
Due to other agencies	-	-	-	-	-	-	-	-	-	113,087	113,087
Deferred revenues related to notes receivable	-	-	387,933	-	556,965	-	349,397	1,126,779	2,421,074	2,572,705	4,993,779
Deferred revenues	-	-	-	-	-	-	-	-	-	132,410	132,410
Due to other funds	100,000	-	-	-	-	-	-	-	100,000	50,289	150,289
Accrued liabilities	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	114,102	35	464,318	-	574,211	-	398,409	1,140,187	2,691,262	2,992,363	5,683,625
Fund balance											
Reserved for debt service	-	-	-	666,432	-	984,267	-	-	1,650,699	-	1,650,699
Unreserved, reported in:											
General fund	-	-	-	-	-	-	-	-	-	-	-
Special revenue fund	-	3,296,272	1,056,802	-	4,889,046	-	6,330,316	1,581,805	17,154,241	4,074,845	21,229,086
Total fund balances	-	3,296,272	1,056,802	666,432	4,889,046	984,267	6,330,316	1,581,805	18,804,940	4,074,845	22,879,785
Total liabilities and fund balances	\$ 114,102	\$ 3,296,307	\$ 1,521,120	\$ 666,432	\$ 5,463,257	\$ 984,267	\$ 6,728,725	\$ 2,721,992	\$ 21,496,202	\$ 7,067,208	\$ 28,563,410

Sonoma County Community Development Commission

Schedule of Revenues, Expenditures and Changes in Fund Balance - Non-major Governmental Funds

Year Ended June 30, 2008

	MCC	Mobile Home	HAC	HE and Other County Programs	County Fund for Housing	Rohnert Park Rehabilitation	FESG	Flood Elevation	Shelter Plus Care	MSRAP	Total
Revenues											
Governmental grants	\$ -	\$ -	\$ -	\$ 850,767	\$ 803,001	\$ 110,185	\$ 88,894	\$ 479,983	\$ 795,976	\$ -	\$ 3,128,806
Interest	542	8,908	521	-	149,011	2,388	-	9,496	-	234	171,100
Taxes	-	-	-	-	-	-	-	-	-	-	-
Other income	1,600	77,926	49,480	-	2,711,074	-	-	91,331	-	-	2,931,411
Total revenues	2,142	86,834	50,001	850,767	3,663,086	112,573	88,894	580,810	795,976	234	6,231,317
Expenditures											
Current:											
Administration	7,645	56,742	50,000	533,725	67,207	50,211	4,444	138,127	62,004	18,098	988,203
Rental assistance payments	-	-	-	-	-	-	-	-	733,972	63,460	797,432
Community development	-	-	-	317,042	2,129,535	62,361	84,450	479,983	-	-	3,073,371
Redevelopment	-	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-
Principal payments	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	7,645	56,742	50,000	850,767	2,196,742	112,572	88,894	618,110	795,976	81,558	4,859,006

Sonoma County Community Development Commission

Schedule of Revenues, Expenditures and Changes in Fund Balance - Non-major Governmental Funds (continued)

Year Ended June 30, 2008

	MCC	Mobile Home	HAC	HE and Other County Programs	County Fund for Housing	Rohnert Park Rehabilitation	FESG	Flood Elevation	Shelter Plus Care	MSRAP	Sub-total
Excess of revenues over (under) expenditures	(5,503)	30,092	1	-	1,466,344	1	-	(37,300)	-	(81,324)	1,372,311
Other financing sources											
Transfers in	-	-	-	-	-	-	-	-	-	81,322	81,322
Debt proceeds	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources	-	-	-	-	-	-	-	-	-	81,322	81,322
Net change in fund balances	(5,503)	30,092	1	-	1,466,344	1	-	(37,300)	-	(2)	1,453,633
Fund balance at June 30, 2007	12,894	207,200	24,214	-	2,322,531	64,962	-	(10,589)	(1)	-	2,621,211
Fund balance at June 30, 2008	\$ 7,391	\$ 237,292	\$ 24,215	\$ -	\$ 3,788,875	\$ 64,963	\$ -	\$ (47,889)	\$ (1)	(2)	\$ 4,074,844

Schedule of Revenues, Expenditures and Changes in Fund Balance - Non-major Governmental Funds (continued)

Year Ended June 30, 2008

	HMIS	Roseland		Roseland		The Springs		Russian River		Russian River Set Aside	Sub-total	Sub-total from Page 52	Total
		Redevelop-ment Nonhousing	Redevelop-ment Set Aside	Redevelop-ment Set Aside	Roseland Debt Service	Redevelop-ment Nonhousing	The Springs Debt Service	Redevelop-ment Nonhousing	River Redevelop-ment				
Revenues													
Governmental grants	\$ 91,188	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 91,188	\$ 3,128,806	\$ 3,219,994
Interest	-	114,109	38,130	35,178	52,068	236,071	80,683	745,443	171,100	916,543			
Taxes	-	1,463,975	-	-	-	3,949,050	-	7,581,035	-	7,581,035			7,581,035
Other income	22,336	-	69	-	-	11	-	54,914	2,931,411	2,986,325			
Total revenues	113,524	1,578,084	38,199	35,178	52,068	4,185,132	81,134	8,472,580	6,231,317	14,703,897			
Expenditures													
Current:													
Administration	113,524	132,228	37,838	-	313,653	444,714	133,948	1,175,905	988,203	2,164,108			
Rental assistance payments	-	-	-	-	-	-	-	-	797,432	797,432			
Community development	-	-	-	-	-	-	-	-	3,073,371	3,073,371			
Redevelopment	-	119,501	153,453	-	770,216	1,816,413	1,012,910	3,872,493	-	3,872,493			
Debt service													
Principal payments	-	50,000	-	70,000	105,000	-	-	225,000	-	225,000			
Interest	-	11,360	-	56,880	85,518	-	-	153,758	-	153,758			
Total expenditure	113,524	313,089	191,291	126,880	1,083,869	2,261,127	1,146,858	5,427,156	4,859,006	10,286,162			

Schedule of Revenues, Expenditures and Changes in Fund Balance - Non-major Governmental Funds (continued)

Year Ended June 30, 2008

	HMIS	Roseland Redevelop- ment Nonhousing	Roseland Redevelop- ment Set Aside	Roseland Debt Service	The Springs Redevelop- ment Nonhousing	The Springs Debt Service	Russian River Redevelop- ment Nonhousing	Russian River Set Aside	Sub-total	Sub-total from Page 53	Total
Excess of revenues over (under) expenditures	\$ -	\$ 1,264,995	\$ (153,092)	\$ (91,702)	\$ 1,305,392	\$ (138,450)	\$ 1,924,005	\$ (1,065,724)	\$ 3,045,424	\$ 1,372,311	\$ 4,417,735
Other financing sources (uses)											
Transfers IN (OUT)	-	(313,996)	313,996	-	(462,040)	-	(791,773)	791,773	(462,040)	81,322	(380,718)
Debt proceeds	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(313,996)	313,996	-	(462,040)	-	(791,773)	791,773	(462,040)	81,322	(380,718)
Net change in fund balances	-	950,999	160,904	(91,702)	843,352	(138,450)	1,132,232	(273,951)	2,583,384	1,453,633	4,037,017
Fund balance at June 30, 2007	-	2,345,275	895,899	758,134	4,045,694	1,122,716	5,198,085	1,855,756	16,221,559	2,621,211	18,842,770
Fund balance at June 30, 2008	\$ -	\$ 3,296,274	\$ 1,056,803	\$ 666,432	\$ 4,889,046	\$ 984,266	\$ 6,330,317	\$ 1,581,805	\$ 18,804,943	\$ 4,074,844	\$ 22,879,787

Sonoma County Community Development Commission

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2008

Federal Grantor	CFDA Number	Expenditures
Direct Programs:		
<u>Department of Housing and Urban Development</u>		
Community Development Block Grant	14.218	\$ 3,264,516
Home Investment Partnerships Program	14.239	1,389,227
Supportive Housing Program	14.235	91,188
Emergency Shelter Grants Program	14.231	88,894
Section 8 Housing Choice Vouchers Program	14.871	24,653,422
Shelter Plus Care Program	14.238	795,976
Total Department of Housing and Urban Development		30,283,223
<u>Department of Homeland Security</u>		
<u>Federal Emergency Management Agency</u>		
Passed through the State of California Office of Emergency Services		
Hazard Mitigation Grant Program	97.039	479,983
Total Department of Homeland Security		479,983
Total Federal Expenditures		\$ 30,763,206

COMPLIANCE

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**Independent Auditors' Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Basic Financial Statements Performed in Accordance
with *Government Auditing Standards***

Board of Commissioners
Sonoma County Community
Development Commission
Santa Rosa, California

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Sonoma County Community Development Commission, a component unit of the County of Sonoma, as of and for the year ended June 30, 2008, which collectively comprise the Sonoma County Community Development Commission's basic financial statements and have issued our report thereon dated November 24, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sonoma County Community Development Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sonoma County Community Development Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sonoma County Community Development Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sonoma County Community Development Commission's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Board of Commissioners, the County of Sonoma general government, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified agencies.

Wallace E. Rowe, CPA

November 24, 2008

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**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control
Over Compliance in Accordance With OMB Circular A-133**

Board of Commissioners
Sonoma County Community
Development Commission
Santa Rosa, California

Compliance

We have audited the compliance of the Sonoma County Community Development Commission with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The Sonoma County Community Development Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Sonoma County Community Development Commission's management. Our responsibility is to express an opinion on the Sonoma County **Community** Development Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Sonoma County Community Development Commission's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Sonoma County Community Development Commission's compliance with those requirements.

In our opinion, the Sonoma County Community Development Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the Sonoma County Community Development Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Sonoma County Community Development Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sonoma County Community Development Commission's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program, will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify any deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as we defined above.

This report is intended solely for the information of the Board of Commissioners, the County of Sonoma general government, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified agencies.

Wallace E. Rowe, CPA

November 24, 2008

SONOMA COUNTY COMMUNITY DEVELOPMENT COMMISSION

Schedule of Findings and Questioned Costs

Year Ended June 30, 2008

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	_____ yes <u> X </u> no
Significant deficiency identified not considered to be material weakness?	None reported
Noncompliance material to financial statements noted?	_____ yes <u> X </u> no

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	_____ yes <u> X </u> no
Significant deficiency identified not considered to be material weakness?	None reported
Reportable conditions identified not considered material weaknesses?	_____ yes <u> X </u> no
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with A-133, Section .510(a)?	_____ yes <u> X </u> no
Identification of major programs:	
Housing Choice Voucher Program	14,871
Dollar Threshold to distinguish between Type A and Type B programs	\$922,896
Auditee qualified as low risk auditee	<u> X </u> yes _____ no

Section II - Financial Statement Findings

None

Section III - Federal Award Findings

None

SONOMA COUNTY COMMUNITY DEVELOPMENT COMMISSION

Summary Schedule of Prior Year Findings

Year Ended June 30, 2008

There were no findings or questioned costs included in the Sonoma County Community Development Commission's audit report for the fiscal year ended June 30, 2007.